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C O N F I D E N T I A L SECTION 01 OF 03 ASUNCION 001046

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STATE FOR WHA/BSC

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TAGS: [PREL](#) [MASS](#) [MOPS](#) [KCRM](#) [PTER](#) [PINR](#) [SNAR](#) [PA](#) [KICC](#)

SUBJECT: PARAGUAY: SECDEF RUMSFELD AFFIRMS SUPPORT FOR STRENGTHENED COOPERATION

Classified By: A/DCM James P. Merz for reasons 1.5 (b) and (d).

1. (C) Summary. On 8/16, SECDEF Rumsfeld met for 90 minutes with President Duarte Frutos to discuss cooperation in the fight against international terrorism and transnational crime, challenges to democracy in Paraguay and the region, and the expansion of economic opportunity. SECDEF drew attention to destabilizing undemocratic elements in the region, Cuba and Venezuela in particular. Duarte described the political scene in Paraguay focusing on his government's desire to generate economic growth and address public security challenges. He appealed to the U.S. for more open markets and greater assistance in tackling transnational crime.

2. (C) The SECDEF's meeting on 8/17 with Defense Minister Gonzalez centered on U.S.-Paraguay military cooperation and Paraguay's efforts to contribute troops to the UN's peacekeeping mission in Haiti. SECDEF reminded Gonzalez, as he had in his meeting with Duarte Frutos, that GOP agreement to an Article 98 agreement would facilitate some forms of U.S. economic and military assistance.

3. (U) A group of some 50 protesters assembled to protest the SECDEF's visit but in no way marred the overall positive tone coming out of the visit. End Summary.

4. (U) On 8/16, SECDEF Rumsfeld accompanied by the Ambassador, James G. Stavridis -- Senior Military Assistant; Peter W. Rodman -- Assistant Secretary of Defense; Roger Pardo-Maurer -- Deputy Assistance Secretary of Defense for Western Hemisphere Affairs; A/DCM Merz; and DATT Dennis Fiemeyer met with Duarte Frutos who was accompanied by VP Luis Castiglioni, FM Leila Rachid, MOD Roberto Gonzalez, Minister of Public Works Jose Alberto Alderete, Director of Protocol Amb. Enrique Ramirez, Private Secretary Carlos Santacruz, Armed Forces Commander Gen. Jose Kanasawa, and Armed Forces Chief of Staff Gen. Caces. The meeting was conducted in the President's personal residence, a privilege the President rarely bestows upon foreign visitors.

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SECDEF Stresses Cooperation and Support  
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5. (C) SECDEF conveyed support for Duarte's efforts to combat corruption and transnational crime, including money laundering and drug trafficking. The U.S. shared his commitment to democratic reforms. U.S.-Paraguayan military cooperation was beneficial to both sides. SECDEF was pleased to learn a recent medical humanitarian exercise (MEDRETE) had provided medical treatment to over 12,000 Paraguayans in the countryside. No country could solve its problems alone. The U.S. supports Duarte's efforts to tackle its problems and as a friend was looking for ways to provide assistance.

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Duarte Describes Historic Mission and Appeals for U.S. Help  
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6. (C) Duarte described his efforts to reform Paraguay as historic. He represented the first President legitimately elected since Stroessner's overthrow with no ties to the exiled dictator. When he took office, the economy was in recession, inflation was rampant, and Paraguay was in default on international loans. Two years later, he boasted, Paraguay had experienced two successive years of growth, however modest, inflation was in check, Paraguay enjoyed a fiscal surplus thanks to a significant increase in tax/customs collections, and the country had won high marks from the international banking community.

7. (C) Notwithstanding his government's achievements, his administration found itself under constant assault by the press for not producing noteworthy progress on the poverty and public safety front. He complained frustration with economic conditions and a peculiar nostalgia for the past that prompts people to forget its more unsavory aspects had produced significant popular support for the former dictator's grandson, Goli Stroessner, who is running against Duarte's supporters in next year's internal Colorado Party election for senior leadership positions. At the other end of the political spectrum, Duarte averred, the country's

leftists remained unable to attract popular support for their agenda in large measure because they didn't speak the same language both literally (most Paraguayans in the countryside speak Guarani as their first language whereas many of the leading leftist politicians come from Asuncion and struggle with Guarani) and politically (the Colorado Party has long political ties with the countryside that are difficult to overcome). Other challenges to progress and democracy, Duarte stressed, were weak state institutions, impunity, and corruption, as well as weak civil society.

18. (C) Duarte assured SECDEF that Paraguay was committed to fighting international terrorism and transnational crime including narcotrafficking, piracy, and money laundering. These problems obstructed his government's overarching aim to generate economic growth to reduce poverty levels and address concerns about public security. He appealed repeatedly for U.S. assistance to help generate growth and tackle transnational crime. He appreciated recent increases in the U.S. import quota for organic sugar from Paraguay and appealed to the U.S. to open its markets to other Paraguayan exports such as meat and apparel. Paraguay had accomplished much in fighting narcotrafficking and piracy on meager resources. GOP efforts to combat illicit activity, however, would benefit significantly from U.S. assistance in the form of equipment, including radars.

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Military Cooperation, PKO Missions, and Article 98  
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19. (C) Duarte welcomed military cooperation particularly inasmuch as it delivered concrete health benefits to poor Paraguayans and was characterized by respect for Paraguayan sovereignty. SecDef and Duarte also agreed on the value of expanded Paraguayan participation in PKO missions. Duarte noted that Paraguay was willing, but lacks resources, which led to a plea for greater US assistance to help outfit the Paraguayan armed forces for a number of its missions (CD, PKO, etc.). SecDef asked the question (rhetorically): "Wouldn't reaching an Article 98 agreement facilitate our ability to help with that?" There were some nervous fidgets on the Paraguayan side of the table, and while Duarte deliberately remained mute, the FM replied that she did not think so. Nevertheless, the point was made and it stuck.

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Addressing Regional Threats to Democracy  
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10. (C) Affirming U.S. respect for Paraguay's sovereignty and its right to choose its own path of development, SECDEF conveyed U.S. concern about the emergence of strong leaders who seek to export problems and sow instability in the region. In this regard, the U.S. was particularly concerned about Cuban and Venezuelan efforts to export an ideology that harms democracy. The expansion of opportunity and fighting corruption were the best to shore up democracy, foster stability, and attract investment.

11. (C) Duarte offered a mixed message in response. He stressed, again, the importance of economic growth, development, cooperation and assistance. Poverty and despair represent the greatest threats to democracy in the region as they create opportunities for the likes of a "Chavez, Morales, or another Stroessner" to emerge and galvanize support. Paraguay currently had a relationship with both Cuba and Venezuela that redounded to its benefit economically. Over 600 Paraguayan students were studying medicine in Cuba. As in the U.S., Paraguay's foreign policy responded, in large measure, to domestic interests and Paraguay was hard pressed to reject this kind of valued assistance. Paraguay was, on the other hand, looking at putting an end to the Cuban program that involves dispatching Cuban doctors out to the Paraguayan countryside out of concern over the "problems" it generates.

12. (C) Venezuela was another story. It aimed to build a model for power in the region based on providing significant aid. The Paraguayan Government received assistance from Venezuela in excess of USD 10 million in fuel subsidies which Duarte contended dwarfed U.S. assistance. (Note: U.S. assistance to Paraguay in the form of AID programs, INL funds, Peace Corps volunteers, and military programs far exceeds USD 10 million but a fraction of that goes to the GOP, the source of Duarte's frustration. End Note.)

13. (C) Duarte signaled that he would prefer Paraguayan youth obtain an education in the U.S. and that if such scholarships were forthcoming he might consider ending the Cuban program. He recalled U.S. aid programs delivered in his youth in the context of the Alliance for Progress that produced tangible benefits upon his generation. The end of the Cold War, he lamented, however, had led to significant reductions in this kind of assistance. He recalled his appeal to President Bush for more scholarships. In the

absence of the U.S. providing this kind of assistance, he had to respond to domestic interests as a realist recognizing the strong support the Cuban medical scholarship program enjoyed.

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SECDEF-MOD Focus on UN PKO Mission in Haiti  
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14. (C) On August 17, SECDEF met with Minister of Defense Gonzalez in a half-hour meeting that focused on Paraguay's participation in peacekeeping missions. Gonzalez conveyed appreciation for U.S. military cooperation particularly in the form of U.S. MEDRETES, stressing Paraguay's commitment to combating narcotraffickers as evidenced by the recent arrest and extradition of Mendes Mesquita. He also conveyed Paraguay's eagerness to participate in the UN PKO in Haiti, noting its lack of resources proved the only obstacle. Ambembassy ODC officials advised the SECDEF that they were exploring avenues for possible U.S. assistance. SECDEF reminded MOD that the GOP's decision to sign an Article 98 agreement would facilitate delivery of U.S. defense assistance. The MOD tacitly acknowledged the SECDEF's message. He alluded discreetly to MFA efforts to address this issue but appealed to the U.S. to consider ways to overcome this obstacle.

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Protesters Loud but Few  
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15. (U) Approximately 50 protesters staged a small but loud protest across the street from a SECDEF wreath laying ceremony at a national military memorial. Almost an equal number of riot police cordoned off the protesters from the SECDEF's delegation. The protesters composed largely of students armed with megaphones chanted insults and hoisted signs condemning the SECDEF visit to Paraguay. Proceedings went forward at the site as planned, however, and no other protests occurred during the visit.

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Meeting Atmospherics  
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16. (C) Notwithstanding criticism in the press over the visit, Duarte was visibly pleased and invigorated during his meeting with the SECDEF. While on occasion he lapsed into speechifying in describing his achievements and appealing for assistance, the exchange was marked by frequent displays of humor on the part of both principals.

17. (C) Comment. SECDEF's aim to strengthen the U.S. relationship with Paraguay and convey support was clearly achieved. While Duarte devoted much attention to the forms of concrete assistance Paraguay seeks to derive from the relationship, he also recommitted Paraguay to strengthened cooperation with the U.S. in the consolidation of democracy, the fight against terrorism and transnational crime, and the expansion of economic opportunity. We look forward to building on the good will produced by this visit in our mission's objectives in these areas. End Comment.

18. (U) SECDEF did not have an opportunity to clear on this message. We understand SECDEF will be producing its own report on this visit.  
KEANE